

**TESTIMONY OF AUSTIN A. ANDERSEN  
INTERIM INSPECTOR GENERAL  
BEFORE THE D.C. COUNCIL  
COMMITTEE OF THE WHOLE**

**ISSUANCE OF THE DISTRICT'S FY 2004  
COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR)**

**FEBRUARY 2, 2005**

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CHAIRMAN CROPP, AND MEMBERS OF THE COUNCIL, I AM PLEASED TO SPEAK BEFORE YOU THIS MORNING AND TO BE PART OF THE SIGNIFICANT ACCOMPLISHMENT OF ATTAINING AN UNQUALIFIED OPINION ON THE DISTRICT'S FY 2004 FINANCIAL STATEMENTS.

BY LAW, THE OFFICE OF THE INSPECTOR GENERAL (OIG) IS RESPONSIBLE FOR CONTRACTING WITH AN INDEPENDENT AUDIT FIRM FOR THE CAFR, OVERSEEING THE AUDIT PROCESS, AND MONITORING CONTRACT PERFORMANCE TO ENSURE THAT THE AUDIT PROCESS RUNS SMOOTHLY, THE OIG CHAIRS AN OVERSIGHT COMMITTEE THAT FOLLOWS THE PROGRESS OF THE CAFR EACH YEAR. THE COMMITTEE ENSURES THAT OBSTACLES THAT MAY HINDER THE TIMELY COMPLETION OF

THE AUDIT, OR MATTERS WHICH NEED DISTRICT MANAGEMENT'S ATTENTION, ARE DISCUSSED WITH THE APPROPRIATE DECISION MAKERS AND PROMPTLY RESOLVED. THE COMMITTEE, WITH REPRESENTATIVES FROM THE EXECUTIVE AND LEGISLATIVE BRANCHES OF THE CITY GOVERNMENT, MEETS REGULARLY THROUGHOUT THE YEAR TO ACHIEVE THAT GOAL.

UNDER THE CURRENT CONTRACT, KPMG LLP IS REQUIRED TO PERFORM THE AUDIT OF THE DISTRICT'S FINANCIAL STATEMENTS. AS PART OF THE AUDIT, KPMG LLP MUST PROVIDE: (1) AN AUDITOR'S OPINION AS TO THE FAIR PRESENTATION OF THE DISTRICT'S FINANCIAL STATEMENTS; (2) A REPORT ON THE INTERNAL CONTROLS OVER FINANCIAL REPORTING; (3) A REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS; AND (4) A MANAGEMENT LETTER, AS APPROPRIATE. THE MANAGEMENT LETTER WILL BE ISSUED BY MARCH 31, 2005.

THE AUDIT COSTS FOR THE FY 2004 CAFR WERE APPROXIMATELY \$2.2 MILLION. THESE COSTS INCLUDE MODIFICATIONS OF APPROXIMATELY \$500,000. MODIFICATIONS WERE NECESSARY AND INCLUDED ADDITIONAL WORK RELATED TO THE IMPLEMENTATION OF NEW AUDITING AND ACCOUNTING STANDARDS, ADDITIONAL WORK RELATED TO AUDITING THE NEW PASS SYSTEM, E-911 FUND, MEDICAID, AND THE ACTUARIAL WORK ASSOCIATED WITH THE DISABILITY COMPENSATION FUND. ADDITIONAL AUDIT WORK WAS ALSO NEEDED AT DCPS, UDC, AND THE HEALTHCARE SAFETY NET ADMINISTRATION.

ALSO BY LAW, THIS IS THE LAST YEAR KPMG WILL BE ABLE TO PERFORM THE AUDIT OF THE DISTRICT'S CAFR. ACCORDINGLY, I WOULD LIKE TO ACKNOWLEDGE THE HARD WORK AND EFFORT THAT KPMG HAS EXTENDED OVER THE YEARS TO WORK WITH DISTRICT MANAGERS TO ENSURE THAT THE FINANCIAL RECORDS WERE ACCURATELY REPORTED, THE DISTRICT COMPLIED WITH NEW ACCOUNTING STANDARDS, AND THAT REPORTING TIMELINES WERE MET. THEIR

PROFESSIONALISM AND DEDICATION HAVE CONTRIBUTED SIGNIFICANTLY TO ACHIEVING THE FINANCIAL SUCCESS WE ENJOY TODAY.

DURING THE NEXT MONTH OR TWO, THE OIG WILL RECOMMEND TO THE MAYOR A NEW CONTRACTOR TO PERFORM THE FISCAL YEAR 2005 CAFR AUDIT WITH 4 OPTION YEARS. MEMBERS OF THE EXECUTIVE OFFICE OF THE MAYOR AND COUNCIL WHO SIT ON THE CAFR OVERSIGHT COMMITTEE WORKED WITH THE OIG TO EVALUATE THE TECHNICAL PROPOSAL OF THE CONTRACT. ADDITIONALLY, WE WILL BE SEEKING COUNCIL'S APPROVAL FOR THE CONTRACT.

I WOULD ALSO LIKE TO TAKE THIS OPPORTUNITY TO COMMEND DR. GHANDI AND HIS STAFF FOR EMPLOYING THE MANAGEMENT AND OVERSIGHT TO CLOSE THE DISTRICT'S BOOKS AND RECORD ALL THE REQUIRED TRANSACTIONS NECESSARY TO PREPARE AND COMPLETE THE FINANCIAL STATEMENTS. ADDITIONALLY, I WOULD LIKE TO THANK THE COMMITTEE MEMBERS FOR THEIR LEADERSHIP AND EXPERTISE

IN MONITORING THE CAFR OVER THE LAST SEVERAL MONTHS. IN THAT REGARD, I WANT TO SINGLE OUT FOR SPECIAL RECOGNITION BILL DIVELLO, OF MY STAFF; ARTE BLITZSTEIN, OF THE CITY COUNCIL; NATE FRANCIS OF THE EXECUTIVE OFFICE OF THE MAYOR, AND TONY POMPA OF THE CFO'S OFFICE FOR THEIR EFFORTS AND CONTRIBUTIONS.

AS THE KPMG AUDITORS HAVE ACKNOWLEDGED, DISTRICT MANAGEMENT HAS TAKEN SIGNIFICANT STEPS TO MITIGATE RISKS IDENTIFIED IN PREVIOUS CAFR AND OIG REPORTS. SPECIFICALLY, WE ARE PLEASED TO REPORT THAT IMPROVEMENTS MADE BY THE OFFICE OF THE CHIEF FINANCIAL OFFICER AND DISTRICT AGENCIES HAVE REDUCED RISKS IN TWO CRITICAL AREAS, THE HEALTH CARE SAFETY NET ADMINISTRATION'S CONTRACT MANAGEMENT AND DISTRICT MEDICAID PROVIDER ACCOUNTING AND FINANCIAL REPORTING.

I WOULD ALSO LIKE TO TAKE THIS OPPORTUNITY TO RECOGNIZE THE LEADERSHIP AND OVERSIGHT OF THE MAYOR

AND THE COUNCIL, WHOSE SUPPORT IS DIRECTLY LINKED TO  
THE CITY'S FINANCIAL RECOVERY.

THIS CONCLUDES MY TESTIMONY. I WOULD BE HAPPY TO  
ANSWER ANY QUESTIONS YOU MAY HAVE.